INTRODUCTION

NETFLIX is considered to be the most successful online movie-by-mail rental in the US with the corporate headquarter located in California. The company was founded by two serial entrepreneurs Marc Randolph and Reed Hastings in 1997 (Mc Fadden 2019).

When the company first started in 1999, it was completely a website-based movie rental service, offering DVD rental service for people. To be more specific, users would order their chosen films/movies and get them in the form of DVD in the post. Then, after they finished watching it, they would send it back to Netflix (Hosch 2020). The number of DVDs rented at one time would be limited to their subscription plans.

Nowadays, the company has grown to turn into the world's leading internet entertainment platform with nearly 150 million subscribers around the world in 2019 (See Appendix A). The number of Netflix subscribers stayed from 22 million in 2011 to nearly 150 million in 2019. Also, according to research, the service has become well-known all around the world with over 37 percent of internet users using Netflix for their diversified activities (Statista 2019).

The company focuses on three business segments: Domestic streaming, International streaming and domestic DVD today. The company’s success is shaped by its core values which are: digital innovation, subscribers happiness (Gloria 2018) as a key metric and viral original content. This has become an essential element of Netflix digital transformation journey by reimagining the brand and reconnecting with subscribers under the digital leadership framework.

This report will focus mainly on analyzing various viewpoints of the business of Netflix, as well as have a clear evaluation of how effective these aspects are to the company itself, looking from both local and global perspectives.

RESEARCH AND ANALYSIS

PROBLEM

Netflix has started in the embarrassing situation of its founder, Reed Hastings, when he was told to pay a late fee of about $40 for the copy of Apollo 13 from Blockbuster, which he considered an annoying situation for people with no clear plan and even limited movie choices. Therefore, he believed that there was a market out there with high demand for the planned subscription for users (Castillo 2017).

After that starting time, with the blooming of the Internet, Netflix realized the rising demand for future video rentals of the young generation who do not live in the era of hard-copy media like DVDs and CDs as opposed to its big competitor, Blockbuster, which still focused mainly on late fees and refused to turn into the online revolution (Levin 2019). Millennials and other next generations were not used to traditional TV and more likely to choose streaming media and they require something that was created only for their customized demands, not something for the public (Torrossian 2018). Moreover, with the fast-changing lifestyle, people are becoming too busy to go out for movies and want to get the most value for their spendings.

COMPANY SOLUTION

When Netflix first launched, subscribers could get a list of all the movies/ films/ series they would like to watch and set the order online. After that, they would get three DVDs in one day and keep it until they wanted to return without a late fee. When users return the DVDs, they would get another new DVD for the next series/movies with around 20 bucks a month. This creates a clear plan for both subscribers and the company on how many DVDs the subscribers can get. Not only that, but this also required a strong commitment from subscribers if they want to see new movies or get new DVDs for themselves in a month. Moreover, this will create a free space for subscribers if they want to keep the DVDs longer than others without having to worry about fees like Blockbuster.

After that time, when changing into a totally online platform, Netflix continued to focus on digital user experiences - when viewers can get the right recommended film/movies/series for themselves and a wide range of good content according to Bylund 2018.

BUSINESS MODEL

Netflix traditional business model is to deliver to its customers DVDs based on their choices. After the digital revolution, the business model of the company is a combination of various business models (see Appendix B). The company is a subscription-based business model, getting money through three plans: basic, standard, and premium for users. Their primary sources are from the subscription of their users when they have to pay to get access to Netflix's content.

Besides, Netflix also worked with more than 35+ partners such as Smart TV companies, gaming companies, TV network companies, Apple, Android, Microsoft, Google to serve different types of subscribers (SG 2020). This is called the revenue-sharing model (Innovation Tactics nd).

USER EXPERIENCE & INTERFACE Netflix has adopted a niche strategy: the company develops programs for various audience interests. The Netflix recommendation algorithm is so impressive that it is absolutely able to be created and be created depending on a large number of demands (Paniello nd). Thanks to intensive data, the company can know the audience's behaviors as well as give recommended films that are suitable and favorable for them. Therefore, in each subscriber's eyes, each account will have different recommendations with the focus of the subscriber's experience (Lotz 2017). Moreover, its simple interface is also the top thing that makes users feel satisfied (Dündaralp 2019).

CUSTOMER ACQUISITION Since Netflix knows their customer lifetime value, they have a clear plan on spending for marketing. For example, they pay $16 for each customer coming and enjoy a free trial. If they do not have customers staying on, they will decrease the number. But they know their customers well so this is a suitable number for them on marketing activities. The customer lifetime value is optimized through tracking each and every individual activity (Neil Patel nd).

CONTENT IS KING Netflix focuses on creating diversified content for different customers' requirements, from serial films, horror movies to film starring only famous actors. Their future is based on exclusive original content that creates excitement and satisfaction for their subscribers around the world (Dempsey 2017).

COMPANY STRUCTURE

The companies have three main characteristics: functional teams for online and non-online operations, geographical divisions and divisions for different product types (See Appendix C).

The functional group which includes CEO, Legal, Talent, Finance, Product, Content And Communications, providing Management strategies for the whole organization's streaming operations in the short and long term. For graphical divisions, these will help the company to solve strategic difficulties. In these divisions, there would be two main parts; domestic streaming and international streaming. The last one is Products/ operations management which helps to reach operational effectiveness by controlling content in terms of distribution and production activities (Anderson 2019).

EVALUATION

PROFIT AND ENGAGEMENT

Netflix now is going on the right path when reimaging its brand as well as the way they connect with customers under a leadership framework. In the long-term strategy, the company will definitely maintain its position. First of all, the way it focuses on technology with a data-driven business that creates personalization will help the company to scale quickly.

Secondly, content strategy management with the situation that content still leads the world. Netflix's strategy will continue to be the media giant in telling unique and original stories (Csathy 2020). The company ranked in the first growing brand in the United States in 2019, showing its brand value more than doubled between 2019 and 2018, growing to $21.2 billion, which was 105% (Spangler 2019).

Meanwhile, Netflix operations also show how the digital business model can bring a high capacity for high-efficiency operations while still keeping the costs at a minimized level (Moore 2019). The company's structure also puts priority in control from the top management board. This ensures flexibility and marketing effectiveness in regional activities, showing that the company focuses on content management and customer experiences.

COSTS AND PRICE

The company is reported to pay a large amount of money on creating the content itself. Its annual budget for content reached $7.5 billion in 2018 and raised significantly, nearly twice, to $15.3 billion only one year later. The company also stated that it would plan to spend $17 billion in 2020 for content creation and production (Beers 2020).

If the costs for content production still increases, the prices for subscription will increase while customers are very sensitive in price. 49.4% of people stopped using Netflix in 2019 was due to the increase in its price (Munarriz 2019). Meanwhile, competitors such as Disney are offering long-term lower prices for customers, showing the customer's willingness to pay upfront.

CONCLUSION

In conclusion, Netflix has enhanced customer experiences with a large number of strategies: personalization via recommendation engine by the company itself, excellent user experience and interface, technology innovations with Artificial intelligence and big data, diversified content investment for numerous requirements. This has bought a wide range of positive points:

- Grow the profits by offering products for customers and partnering with other businesses.
- Top brand in the world in growth and development
- Create a big community of loyal customers around the world, who are free promoters to attract new ones.

However, with the competitive market when big and long-time brands come to compete with innovation strategies for their users, especially unique content and lower prices, Netflix should consider the costs and prices given by the company to sustain in the future.

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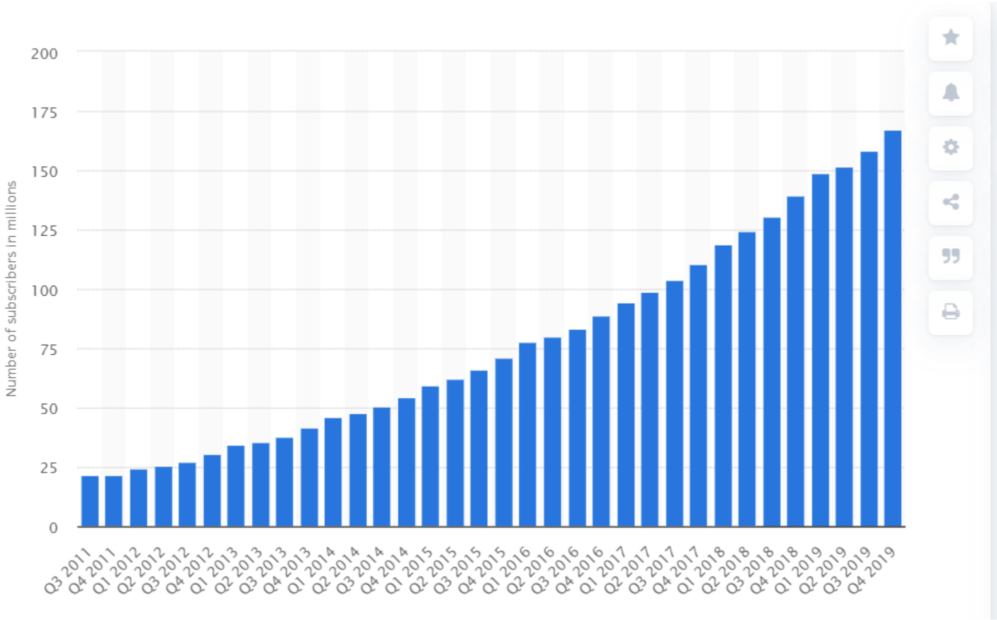
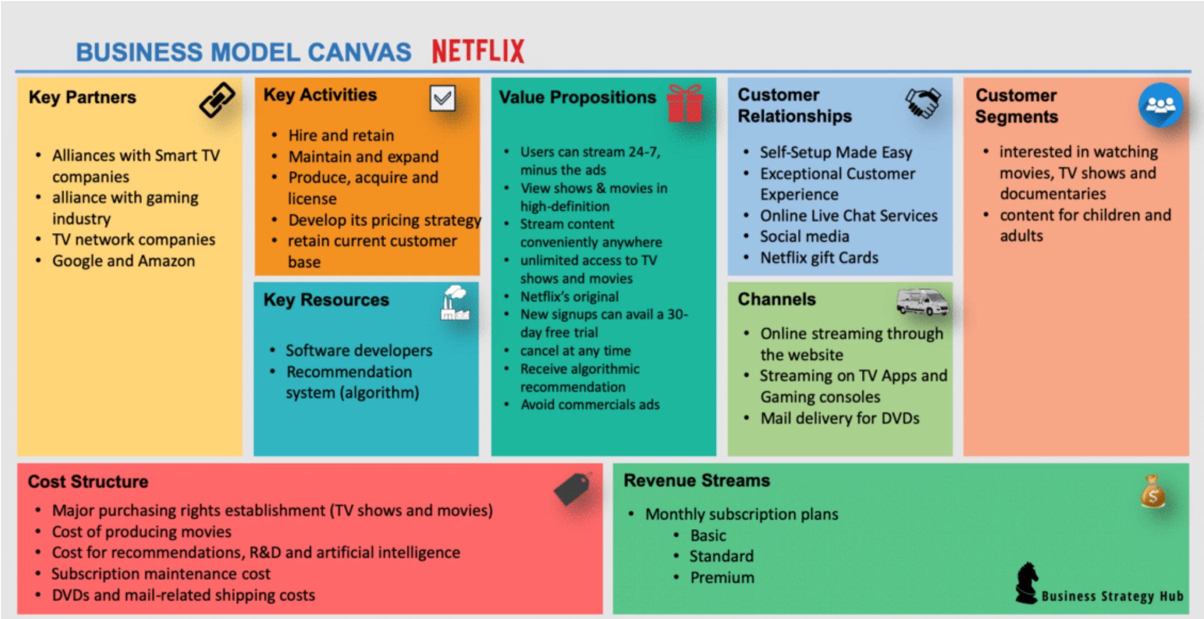
Appendix:

Appendix A:



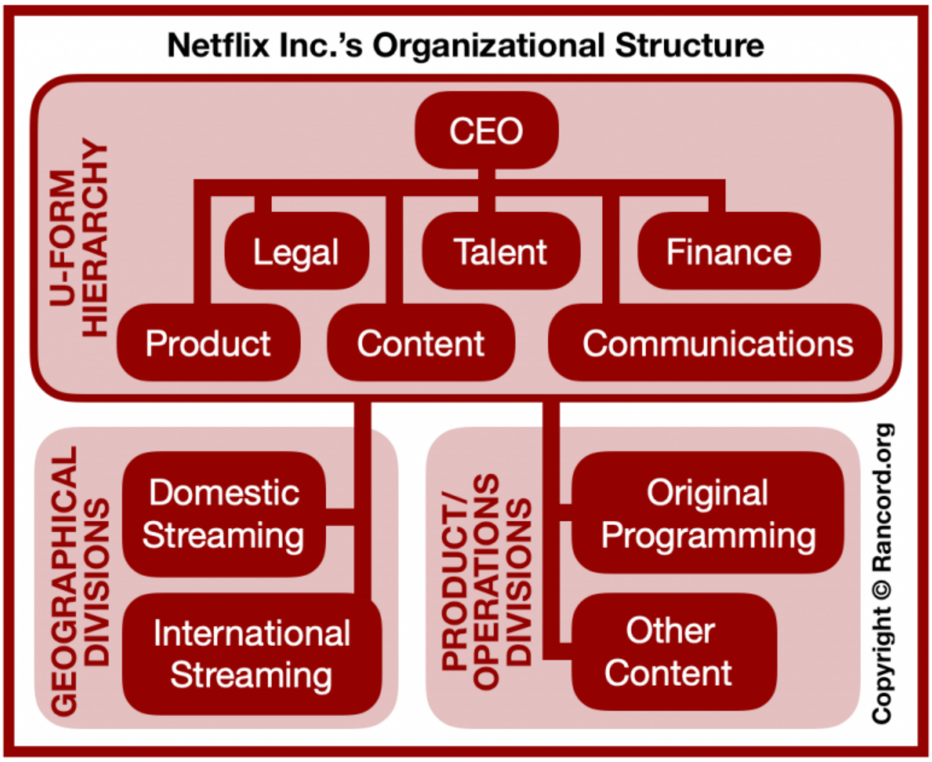
The number of subscribers for Netflix in 2019

Appendix B:



Netflix's business model

Appendix C:



Netflix's organizational structure